

AT & T Profits Slide, iPhone Sales Flat

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Amid increasing pressure from iPhone-toting Verizon Wireless, AT&T today reported lackluster third-quarter earnings. The carrier added just 2.7 million new iPhones and posted profits of \$3.6 billion, or 61 cents a share, compared to a profit of \$12.32 billion, or \$2.07 a share.

Overall operating revenue was down slightly to \$31.48 billion from \$31.54 billion in the same quarter last year.

iPhone activations were the lowest in any quarter since the company first launched Apple's iconic device, which could be attributed to Verizon Wireless now having the device and many customers waiting to upgrade to the recently released iPhone 4S.

iPhone aside, AT&T sold 4.8 million smartphones overall, representing nearly two-thirds of postpaid device sales. Sales of Android devices more than doubled year-over-year, and almost half of all smartphone sales were non-iPhone devices. At the end of the quarter, 52.6 percent of AT&T's 68.6 million postpaid subscribers had smartphones, up from 39.1 percent a year earlier and 31.1 percent two years ago.

AT&T posted a net gain in total wireless subscribers of 2.1 million, to reach 100.7 million in service. This included postpaid net adds of 319,000, prepaid net adds of 293,000, connected device net adds of 1,038,000 and reseller net adds of 473,000.

Total churn declined to 1.28 percent versus 1.32 percent in the third quarter of 2010 and 1.43 percent in the second quarter of 2011. Postpaid churn ticked up slightly to 1.15 percent, compared to 1.14 percent in the year-ago third quarter and 1.15 percent in the second quarter of 2011.

Average revenue per user (ARPU) increased 1.4 percent over the same quarter last year to \$63.69. Postpaid data ARPU reached \$25.14, up 14.2 percent versus the year-earlier quarter.

Ralph de la Vega, president and CEO of AT&T Mobility and Consumer Markets, said in an earnings call broadcast on AT&T's website that he expects fourth-quarter smartphone sales to be one of the company's best ever given the usual seasonal push and new additions to the Android portfolio. AT&T released a statement separate from its earnings today, reporting that it had already sold 1 million units of the iPhone 4S.

De la Vega said things were going well on the company's LTE rollout and the new capacity should spur growth in devices like smartphones and tablets. "What I see happening with LTE and data is a huge growth opportunity," he said. "Smartphones now make up 52 percent of our postpaid base…but in the future, I think you're going to see the smartphone adoption of 100 percent in the next few years."

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Shares of AT&T were down less than a point to \$28.85 in early morning trading.

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